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May 14, 1999

VIA HAND DELIVERY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

RECEIVED
MAY 14 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Written Ex Parte Presentation -
CC Docket No. 96-45

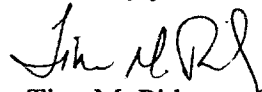
Dear Ms. Salas:

On behalf of Puerto Rico Telephone Company ("PRTC"), we hereby report a written ex parte presentation, in the above-referenced proceeding. PRTC's presentation was made in the form of the attached letter, delivered by hand on May 14, 1999.

PRTC's letter was delivered to L. Charles Keller, Deputy Chief of the Accounting Policy Division, Common Carrier Bureau. In addition, copies of the letter were delivered to Chairman Kennard and to Commissioners Ness, Powell, Tristani, and Furchtgott-Roth, and Richard Cameron, Katie King, and Jack Zinman of the Accounting Policy Division, Common Carrier Bureau.

Two copies of PRTC's written presentation are submitted with this letter pursuant to Section 1.1206(b)(1) of the Commission's Rules, 47 C.F.R. § 1.1206(b)(1).

Sincerely yours,


Tina M. Pidgeon

Enclosures

No. of Copies rec'd 0+1
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA HAND DELIVERY

L. Charles Keller, Esq.
Deputy Chief, Accounting Policy Division
Federal Communications Commission
445 12th Street, S.W.
Room 5A664
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service (CC Docket No. 96-45)

Dear Mr. Keller:

On behalf of the Puerto Rico Telephone Company ("PRTC"), this letter is to follow up on our meeting with you yesterday, specifically regarding the definition of high cost universal service support. PRTC supports the Joint Board recommendation that the Commission adopt a "hold harmless" policy for universal service.¹ Under this policy, no state would receive less universal service support than is currently received upon the transition of non-rural carriers to the proxy model methodology.²

The amount of universal service support to be preserved under this proposal is described as "explicit support mechanisms."³ Pursuant to the Commission's rules and policies, this amount includes both the original high cost loop support mechanism and any Long Term Support ("LTS") amount currently received by a non-rural carrier. There has been no indication, either in the Commission's 1998 Report to Congress or in the Joint Board's Second Recommended Decision, that LTS would be distinguished from other high cost loop support.

¹ At the same time, PRTC still believes that carriers serving insular areas should be treated the same as rural carriers for the purposes of transition to a proxy model methodology. "Hold harmless" and PRTC's insular area proposals are not mutually exclusive.

² This policy arises out of the Commission's commitment that "no state should receive less federal high cost assistance than it currently receives." Federal-State Joint Board on Universal Service, Report to Congress, 13 FCC Rcd 11501, 11602 (¶ 219) (1998).

³ Federal-State Joint Board on Universal Service, Second Recommended Decision, 13 FCC Rcd 24744, 24764 (¶ 53) (1998).

L. Charles Keller, Esq.
May 14, 1999
Page 2

LTS is an integral component of universal service support to high cost carriers, described by the Commission as one of two “explicit support mechanisms directed at increasing network subscribership by reducing rates in high cost areas.”⁴ It is available only to high cost carriers. Since January 1, 1998, LTS has been removed from the access charge regime and funded explicitly through the universal service fund.⁵ It is administered as part of the High-Cost Fund mechanism.⁶

The loss of LTS would threaten significant increases in end user rates as these costs are shifted either directly or indirectly to end users. For Puerto Rico, universal service, including LTS, has been a necessary means to maintain rates that result in telephone subscribership at current levels. Yet the telephone penetration rate remains almost 20 percentage points below the national level (74.8%). As demonstrated by PRTC’s presentations in this proceeding, the economic conditions in Puerto Rico strongly suggest that even moderate rate increases caused by the elimination of high cost support to Puerto Rico would force customers off the network, in direct contravention of express universal service goals.

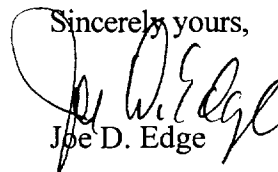
⁴ Federal-State Joint Board on Universal Service, First Report and Order, 12 FCC Rcd 8776, 8784 (¶ 10) (1997) (“First Report and Order”); see also 47 C.F.R. § 54.303 (administering LTS as part of the universal service support for high cost areas).

⁵ First Report and Order, 12 FCC Rcd at 9165 (removing LTS from access charges and incorporating it as explicit universal service support); see also RAO Letter 27: Accounting for Universal Service Support Payments and Receipts, Opinion, 13 FCC Rcd 16567 (Resp. Acctg Officer 1998) (including LTS in universal support definition for accounting).

⁶ See Universal Service Administrative Company, et al., Report to the FCC, 13 FCC Rcd 13276, 13280 (1998); see also “State-by-State Telephone Revenue and Universal Service Data” (January 1999) at 5, Table 5 (reporting all high-cost support mechanism, including LTS); “Common Carrier Bureau Releases Report to Monitor Impact of Universal Support Mechanisms,” CC Docket No. 98-202, Public Notice, DA 98-2540 (rel. December 22, 1998) at 6.

L. Charles Keller, Esq.
May 14, 1999
Page 3

For these reasons, PRTC strongly urges that the "hold harmless" policy be adopted in its entirety, encompassing all explicit high cost support mechanisms, including LTS. Any other result would ignore the legal and practical reality that LTS is an explicit and essential universal service support mechanism for Puerto Rico.

Sincerely yours,

Joe D. Edge

cc: Chairman William E. Kennard
Commissioner Susan Ness
Commissioner Michael Powell
Commissioner Gloria Tristani
Commissioner Harold Furchtgott-Roth

Richard Cameron
Katie King
Jack Zinman